

## CABINET

<b>Date of Meeting</b>	Tuesday 14 <sup>th</sup> March, 2023
<b>Report Subject</b>	Revenue Budget Monitoring Report 2022/23 (Month 10)
<b>Cabinet Member</b>	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### **EXECUTIVE SUMMARY**

This monthly report provides the latest detailed overview of the budget monitoring position in 2022/23 for the Council Fund and Housing Revenue Account for the financial year and presents the position, based on actual income and expenditure as at Month 10.

This report projects how the budget would stand at the close of the financial year, without new actions to reduce cost pressures and/or improve the financial return on efficiency planning and cost control is:

#### **Council Fund**

- An operating surplus of (£0.693m) (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of (£0.810m) from the deficit figure reported at Month 9.
- A projected contingency reserve available balance as at 31 March 2023 of £7.024m.

#### **Housing Revenue Account**

- Net in-year revenue expenditure forecast to be £3.101m higher than budget
- A projected closing balance as at 31<sup>st</sup> March, 2023 of £3.373m

Hardship Funding from Welsh Government helped secure over £16m of direct financial help in 2021/22 and we have continued to claim payments totalling £4.8m in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments and Winter Fuel Payments within their eligible periods.

## RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2022/23 budget.
2	To approve the carry forward requests included in paragraph 1.11
3	To approve a transfer of £0.200m from the contingency reserve to replenish the Winter Maintenance Reserve as set out in paragraph 1.21

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE REVENUE BUDGET MONITORING 2022/23</b>
1.01	<p><b>Council Fund Projected Position</b></p> <p>The projected year end position, without mitigation to reduce cost pressures and improve the yield on efficiency planning, is as follows:</p> <ul style="list-style-type: none"><li>• An operating surplus of (£0.693m) (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of (£0.810m) from the figure reported at Month 9.</li><li>• A projected contingency reserve available balance as at 31 March 2023 of £7.024m.</li></ul> <p>To assist with managing risks and mitigating the overall projected overspend, the review of non-essential spend and a vacancy management process continues.</p>
1.02	<p>Hardship Funding from Welsh Government helped secure over £16m of direct financial help in 2021/22 and we have continued to claim payments totalling £4.8m in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments and Winter Fuel Payments within their eligible periods.</p>

1.03

**Table 1. Projected Position by Portfolio**

The table below shows the projected position by portfolio:

<b>Portfolio/Service Area</b>	<b>Approved Budget</b>	<b>Projected Outturn</b>	<b>In-Year Over / (Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Social Services	79.985	80.397	0.412
Out of County Placements	15.101	16.067	0.966
Education & Youth	10.299	9.888	(0.410)
Schools	108.401	108.401	0.000
Streetscene & Transportation	39.931	41.060	1.129
Planning Env & Economy	7.238	6.730	(0.508)
People & Resources	4.670	4.562	(0.107)
Governance	11.281	10.727	(0.555)
Strategic Programmes	6.116	6.177	0.061
Assets	1.034	0.963	(0.071)
Housing & Communities	14.964	14.963	(0.002)
Chief Executive	1.692	1.584	(0.107)
Central & Corporate Finance	25.971	24.471	(1.500)
<b>Total</b>	<b>326.682</b>	<b>325.989</b>	<b>(0.693)</b>

1.04

The reasons for the projected variances are summarised within Appendix 1 and shows the detail of all variances over £0.050m and a summary of minor variances for each portfolio.

**Significant Movements from Month 9**

1.05

**Social Services (£0.277m)**

The net favourable movement relates to:

**Children's Services (£0.234m):**

- Grants (£0.063m) – Projected advocacy costs less than previously anticipated
- Family Support (£0.034m) - Due to reduced levels of expected service activity.
- Legal and Third Party (£0.123m) - Legal costs for a specific case now funded from a Contingency Reserve contribution.
- Residential Placements (£0.113m) – Additional Welsh Government grant of £0.085m to support radical reform of the care of looked after children and additional RIF funding to fund costs of £0.030m.

	<ul style="list-style-type: none"> <li>Professional Support £0.109m - This includes additional costs for a team of contract agency workers to maintain the service whilst vacancies for experienced social worker posts remain high.</li> <li>Minor Variances (£0.010m)</li> </ul> <p>Further minor variances across the Portfolio account for the remainder of the movement totalling (£0.043m).</p>
1.06	<p><b>Education &amp; Youth £0.110m</b></p> <p>The movement relates to:</p> <ul style="list-style-type: none"> <li>Inclusion &amp; Progression - A request for Carry Forward of a previously reported underspend of £0.114m (paragraph 1.11 refers).</li> <li>School Improvement Systems (£0.029m) - Movement in Early Entitlement due to utilising Early Years Pupil Development Grant against established staff. Also, the Non-Maintained Settings payments for January were lower than anticipated. Small movement in School Improvement due to additional income from the Adult Community Learning Engagement Grant which is being offset against core staff.</li> </ul> <p>Minor variances across the Portfolio account for the remainder (£0.025m).</p>
1.07	<p><b>Planning Environment &amp; Economy (£0.061m)</b></p> <p>Minor variances across the Portfolio account for the favourable movement each less than £0.025m.</p>
1.08	<p><b>Governance £0.108m</b></p> <p>The movement relates to a request for Carry Forward of underspend £0.200m in Customer Services para 1.11 refers. The movement is mitigated by vacancy savings, higher than expected Registrars Fee Income and commitment challenge across the Service (£0.040m)</p> <p>Minor variances across the Portfolio account for the remainder (£0.052m).</p>
1.09	<p><b>Central &amp; Corporate (£0.640m)</b></p> <p>As reported previously, the Council has not taken out any new short or long-term borrowing during the year resulting in the Council generating increased income from investments (which have increased in line with bank interest rates). This has continued for the remaining months of the financial year.</p> <p>A combination of this and the reduced borrowing interest costs has had the effect of a further favourable movement of £0.650m on the Central Loans and Investment Account. This is expected to be a temporary benefit as the Council is likely to revert to a borrowing requirement during 2023/24.</p> <p>Minor variances account for the remainder £0.010m.</p>
1.10	<p>There are a number of minor variances across the other Portfolios each below £0.035m that account for the remainder of the overall movement (£0.050m).</p>

1.11	<p><b>Carry Forward Requests</b></p> <p><u>Education &amp; Youth – Inclusion &amp; Progression</u></p> <p>The carry forward of a service underspend of £0.280m is requested to support the education of pupils who are not attending school either due to medical difficulties, including mental health and anxiety, permanent exclusion and the lack of available specialist provision.</p> <p>The current year costs have been covered by grant funding which will not be available in the coming year and this carry forward request would help to mitigate a large part of the projected pressure.</p> <p><u>Governance – Customer Services</u></p> <p>The carry forward of a £0.200m service underspend is requested to supplement Digital Strategy Board funding.</p> <p>The underspend has arisen due to salary savings across the service as a number of projects have been unable to be progressed/completed due to limited or no resource/capacity.</p> <p>The funding will provide additional resource for two x 2 year fixed contracts to retain the current digital higher-level trainees. Recruitment and retention of staff issues mean that securing the existing staff would ensure continuity of service operations.</p>
1.12	<p><b>Tracking of In-Year Risks and Emerging Issues</b></p> <p>Members were made aware when setting the budget that there were a number of open risks that would need to be kept under close review. An update on these is provided below.</p>
1.13	<p><b>Council Tax Income</b></p> <p>‘In-year’ Council Tax collection levels, up to January 2023, are 93.4% compared to 93.7% in the previous year. Collections remain challenging as the rising costs-of-living are impacting on the ability of some households to make payment of council tax on time. Current collections for 2022/23 are still 0.3% ahead of 2020/21 collections during the height of the pandemic.</p>
1.14	<p><b>Pay Award (Teacher and Non-Teacher)</b></p> <p>The offer from the National employers for NJC employees of £1,925 on all spinal column points has now been accepted with back pay made to employees in November. This equated to an increase of 2.54% on the highest scale point to 10.5% on the lowest point.</p> <p>The Minister for Education has confirmed the pay award for teachers at 5%.</p>

	<p>The Council has provided for an uplift of 3.5% for Teaching and Non-Teaching staff – the increase above this level requires the Council to utilise reserves to fund the difference in the current financial year.</p> <p><b>The impact on 2022/23 is as follows:</b>  The in-year additional cost of the 2022/23 pay awards that have been met from reserves is £3.955m after taking into account the reversal of the additional 1.25% rate of National Insurance (NI) from November.</p>
1.15	<p><b>Other Tracked Risks</b></p> <p>In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.</p>
1.16	<p><b>Medium Term Financial Strategy (MTFS) Impact</b></p> <p>The Council met to approve a balanced budget for 2023/24 on 23 February 2023.</p> <p>The budget report included an updated medium-term position for 2024/25 and 2025/26 and work on this will continue over the coming months.</p> <p>All Portfolios consider their financial position, the risks within their service and the impacts on the Medium Term on a monthly basis as part of their Portfolio Management Team meetings.</p>
1.17	<p><b>Out of County Placements</b></p> <p>The risks include continued high demand for placements where children and young people cannot be supported within in-house provision, and market supply limitation factors and inflationary pressures leading to higher costs.</p> <p>There is a projected net overspend of £0.966m for the current cohort of placements. However, this is likely to increase if demand for new placements remains at the current levels. There have been 62 new placements in the year to date with costs totaling £3.3m within the total projected spend for the year of £16.1m, which amounts to over 20%.</p> <p>The service areas within this pooled budget will continue to do everything possible to manage these risks and additional investment has already been made to further develop in-house provision to help to mitigate against such financial pressures.</p>
1.18	<p><b>Benefits</b></p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.732m below budget, although this will be monitored closely throughout the year due to the potential for growth.</p> <p>There is continued high demand across the whole of the Benefits service which is expected to remain the case for the foreseeable future. There is a significant pressure on recovery of overpayments which is a combination of a shortfall of recovery against the level of income target budget which is partly</p>

	<p>influenced by lower number of overpayments occurring, and also the need to increase the bad debt provision on historic debt.</p> <p>The increased staffing levels are still required, and those costs are now being met in full from the additional funding of £0.300m previously approved to provide the service with the additional flexibility needed to adapt to and meet the sustained increase in customer demand.</p>
1.19	<p><b>Homelessness</b></p> <p>The risk is a consequence of the cessation of funding support from the Welsh Government COVID-19 Hardship Fund at the end of 2021/22.</p> <p>Although, there is continued support via the new Homelessness – No One Left Out grant, with a further allocation of £0.256m being confirmed recently, this still falls well below the amount of support the Council received via the Hardship Fund in 2020/21 and 2021/22.</p> <p>Although it has been possible to contain some of the expected pressure through prepaid accommodation to the end of September 2022, which has been funded by the COVID-19 Hardship Fund, the expected continued high demand for temporary accommodation including short term Bed &amp; Breakfast provision will continue to present significant challenges. There is a recent trend of increased numbers of households in Bed &amp; Breakfast accommodation with numbers increasing progressively month on month from 29 in October to 61 in January, so more than doubling over a period of three months. This is due to a combination of more new placements and fewer households moving on. At this rate of net growth there remains a clear risk of overspend despite additional in-year funding having been provided by Welsh Government.</p> <p>The service continues to strategically use increased allocations of Housing Support Grant working with external partners, but there remains a risk that the costs of statutory provision of support for Homelessness may exceed existing funding provision from base budget and available grant funding.</p> <p>The service demand currently impacting on 2022/23 outturn will continue into 2023/24 and a pressure of £1.000m has been included in the 2023/24 budget to reflect this.</p>
1.20	<p><b>School Transport</b></p> <p>Since the start of the Autumn school term from September 2022, there have been a number of transport pressures emerging relating to increased costs in the provision of additional key service routes for Additional Learning Needs (ALN) and Pupil Referral Units (PRU) from re-procurement increases and additional statutory provision that is necessary, as well as increased transport contractor costs due to fuel, insurance, driver costs etc. These increased costs currently impacting on 2022/23 outturn will continue into 2023/24 and a pressure has been included in the 2023/24 budget to reflect this.</p>

1.21	<p><b>Winter Maintenance</b></p> <p>Due to the amount of more severe winter weather encountered in January, in addition to the prolonged period of icy weather through December, spend is anticipated to exceed the £0.846m annual budget. Therefore, there is now likely to be a requirement of at least £0.200m from the Winter Maintenance Reserve in 2022/23 which will reduce the balance to £0.050m. It is recommended that consideration be given to replenishing the Winter Maintenance Reserve up to £0.250m from Contingency Reserve to mitigate the risk of increasing costs from more severe winters into the future.</p>
1.22	<p><b>Waste Recycling Infraction Charge</b></p> <p>Due to the Council not meeting the statutory minimum target for the percentage of municipal waste which must be recycled, prepared for re-use and composted, as specified in Section 3 of the Waste (Wales) Measure 2010 (64%) in 2021/22, Welsh Government can now take steps to impose a penalty on the Council by way of an infraction fine. This has been confirmed as a penalty of up to £0.663m so is a very significant financial risk to the Council. Discussions are set to take place in early March between WG and the Council as to the reason for not achieving the target and whether the penalty will be levied.</p>
1.23	<p><b>Achievement of Planned In-Year Efficiencies</b></p> <p>The 2022/23 budget contains £1.341m of specific efficiencies which are tracked and monitored throughout the year. The Council aims to achieve a 95% rate in 2022/23 as reflected in the MTFS KPI's and fully achieved all efficiencies in the previous financial year</p> <p>It is projected that all efficiencies will be achieved in 2022/23 and further details can be seen in Appendix 3.</p>
1.24	<p><b>Unearmarked Reserves</b></p> <p>The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £7.098m as detailed in the 2021/22 outturn report (subject to Audit). In addition, the Council has set-aside a further £3.250m to the carried forward £2.066m COVID-19 Emergency Reserve being a total of £5.316m as a safeguard against the continuing impacts of the pandemic (additional costs and lost income).</p> <p>Some claims for March 2022 were disallowed by WG and Internal claims for Quarter 1 and 2 have been made in 2022/23 relating to additional costs in Schools, Streetscene &amp; Transportation and for income losses within AURA and Holywell Leisure Centre. These currently total £1.684m and the balance on the COVID-19 Emergency Reserve is currently £3.632m.</p> <p>The earmarked reserve of £2.432m from the additional Revenue Support allocation received at the end of the 2021/22 financial year has been transferred to the Contingency Reserve to enhance the level remaining as reported at Month 9, together with the approved Contingency Reserve request of £0.250m for additional legal costs in Children's Services.</p>



	<p>After taking into account all of the above there is a projected contingency reserve available balance as at 31 March 2023 of £7.024m.</p> <p>Following the approval of the Local Development plan (LDP), a further amount of £0.127m can be released to the Contingency Reserve from the Local Development Plan (LDP) Earmarked Reserve after allowing for remaining commitments from the reserve to enable LDP adoption. This would increase the projected contingency reserve available balance as at 31 March 2023 to £7.151m.</p>
1.25	<p><b>Housing Revenue Account</b></p> <p>The 2021/22 Outturn Report to Cabinet on 12 July 2022 showed an un-earmarked closing balance at the end of 2021/22 of £3.616m and a closing balance of earmarked reserves of £1.622m.</p>
1.26	The 2022/23 budget for the HRA is £37.755m which includes a movement of £2.858m to reserves.
1.27	The monitoring for the HRA is projecting in year expenditure to be £3.101m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £3.373m, which at 9% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.
1.28	<p>The monthly movement of (£0.107m) from Month 9 is as follows:</p> <ul style="list-style-type: none"> <li>• Income (£0.067m) – Revised Bad Debt Provision</li> <li>• Management &amp; Support Services (£0.020m) – reduction in Insurance costs</li> </ul> <p>Minor movements account for the remainder (£0.019m)</p>
1.29	The budget contribution towards capital expenditure (CERA) is £10.898m with the actual contribution projected to be £13.755m at outturn.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	The financial impacts as set out in the report are a combination of actual costs and losses to date and estimates of costs and losses for the future. There is the possibility that the estimates will change over time. The budget will be monitored closely, and mitigation actions taken wherever possible.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
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4.01	None specific.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Council Fund – Movement in Variances from Month 9 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Efficiencies Appendix 4: Council Fund – Movement on Un-earmarked Reserves Appendix 5: Housing Revenue Account Variances

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Various budget records.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Dave Ledsham Strategic Finance Manager <b>Telephone:</b> 01352 704503 <b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p><b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.</p> <p><b>Financial Year:</b> the period of twelve months commencing on 1 April.</p> <p><b>Housing Revenue Account:</b> the Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.</p> <p><b>Intermediate Care Fund:</b> Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.</p> <p><b>Projected Outturn:</b> projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p>

**Reserves:** these are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.

**Revenue:** a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

**Variance:** difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.

**Virement:** the transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.